

# TURNING POINT:

## THE LONG TERM EFFECTS OF RECESSION-INDUCED CHILD POVERTY



FIRST FOCUS

MAKING CHILDREN & FAMILIES THE PRIORITY

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### EXECUTIVE SUMMARY

Children who fall into poverty during a recession will fare far worse along a range of variables, even well into adulthood, than will their peers who avoided poverty despite the downturn in the economy. These children will live in households with lower overall incomes, they will earn less themselves, and they will have a greater chance at living in or near poverty. They will achieve lower levels of education, and will be less likely to be gainfully employed. Children who experience recession-induced poverty will even report poorer health than their peers who did not fall into poverty during the recession. These differences will persist for decades into their adult lives.

These conclusions are based on a First Focus analysis of data from the Panel Study of Income Dynamics. Following four cohorts of children who lived through post-war American recessions for up to twenty years of adulthood, this report compares the differences in outcomes along income, employment, education, and health variables for three different categories of children: those who fell into poverty during a recession, those who stayed out of poverty during a recession, and those who were already living in poverty even before the recession began.

Not surprisingly, children who began in poverty before a recession and stayed there throughout fare the worst across all variables. This conclusion is entirely in line with a wide body of research detailing the long-term negative consequences of persistent childhood poverty. However, the major finding of this report is that even children who experience only recession-induced poverty fare markedly worse than those who do not fall into poverty, despite the fact that both groups of children start off in the same place.

These findings suggest that policymakers should make it a priority to prevent additional children from falling into poverty during the current recession. Given that some three million additional children are predicted to be on the verge of dropping below the poverty line, the matter takes on even more urgency.

### INTRODUCTION

In March 2009, the national unemployment rate rose to its highest level in more than a quarter century.<sup>1</sup> As the country descends deeper into economic recession and unemployment rises, so too will poverty, as it has in all previous recessions. Fortunately, it has also been the case that when United States finally climbs out of a recession, both unemployment and poverty subside. In 1983, for example, with poverty at its highest point since

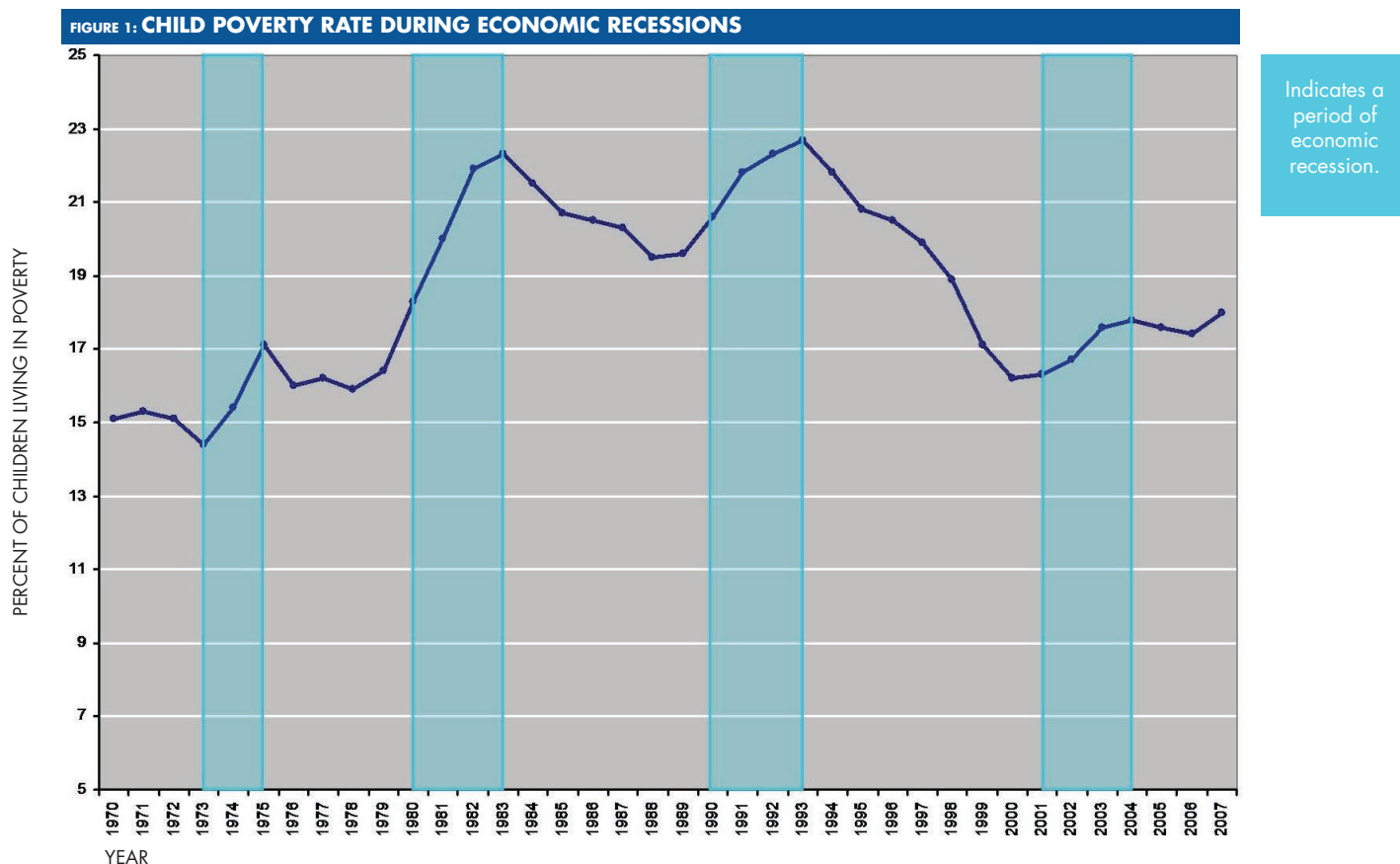
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1 Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.toc.htm>

the census bureau began tabulating that rate, unemployment had already begun to drop from its peak of nearly 11% at the end of 1982. The following year, as unemployment dipped below 8% for the first time in more than two years, poverty also dropped by nearly a full percentage point. Similarly, child poverty which is always higher than the general poverty rate, also ebbs and flows with wider economic trends. When unemployment and general poverty peaked in 1982 and 1983, so too did child poverty, at 22.3%. As the economy improved, more of these children climbed out of poverty again.<sup>2</sup>

The effects on child poverty due to the current economic condition are likely to roughly mirror those of previous recessions. A recent report by the Center on Budget and Policy Priorities estimates that if unemployment reaches 9% this year (which is likely, given that the rate has jumped nearly a full point in just two months), between 2.6 and 3.3 million additional children will fall into poverty.<sup>3</sup> Of course, if the recession is actually deeper than that, and the unemployment rate climbs even higher, we can expect an even larger increase. In fact, in 2007 there were already nearly 500,000 more poor children than in the year previous.

Despite the encouraging prospect that an economic turnaround in the near future will likely lift many of these children back out of the ranks of the impoverished, this in-depth analysis of the Panel Study of Income



**Figure 1** displays the child poverty rate over the past thirty five years, with economic recessions indicated. Clearly, child poverty has risen sharply in difficult economic times.

<sup>2</sup> Historical unemployment data comes from the Bureau of Labor Statistics, and historical poverty data comes from the US Census Bureau.

<sup>3</sup> Parrot, Sharon. "Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty," *Center on Budget and Policy Priorities*, November 24, 2008.

Dynamics reveals that there are serious long-term effects of even a short experience of recession-induced child poverty. Already, research has confirmed that children living in poverty for most of their childhood suffer from a myriad of maladies, ranging from higher stress levels, poorer health, and even diminished long-term employment prospects.<sup>4</sup> This report discusses how children who start out above the poverty line but are pushed into poverty during a recession fare far worse well into adulthood than do similar children who were fortunate enough to remain out of poverty throughout the recession.

The Panel Study of Income Dynamics (PSID) is, “a longitudinal study of a representative sample of U.S. individuals (men, women, and children) and the family units in which they reside.”<sup>5</sup> The PSID collects data on a wide range of attributes, including economic circumstances, health, and education level, as well as other behavioral characteristics. As a longitudinal study, the PSID follows the same people throughout the course of their lives. The PSID began in 1968 and has collected data in nearly every year since then, with 2005 being the most recent year for which data is available.

In order to determine how children who experience recession-induced poverty fare over the course of their lifetimes, this analysis followed the health, educational, and economic progress of people who, as children, lived through a post-war recession. Specifically, we followed the children of two different recessions, one that began in 1973 and ended in 1975, and one that began in 1980 and ended at the close of 1982.<sup>6</sup> For each of these recessions, we divided the children into two cohorts, based on age. The first cohort was comprised of children who were between the ages of 10 and 14 during the year immediately prior to the start of the recession. The second cohort was made up of children who were between the ages of 5 and 9 in the year prior to the start of the recession. Children over the age of 14 in the pre-recession year were excluded to ensure that the cohort included only people who were children (under the age of 18) for the entire duration of the recession. Children under 5 years old were excluded from this analysis because, especially in the case of the 1980’s recession, they would not be old enough by the date of latest available data (2005) to draw any meaningful conclusions about their adult life.

RECESSION 1 (1973-1975)		
• <b>COHORT 1</b>	Children between the ages of 5 and 9 years old in 1972	
• <b>COHORT 2</b>	Children between the ages of 10 and 14 years old in 1972	
RECESSION 2 (1980-1982)		
• <b>COHORT 3</b>	Children between the ages of 5 and 9 yearsold in 1979	
• <b>COHORT 4</b>	Children between the ages of 10 and 14 years old in1979	
NEVER FELL GROUP	FELL GROUP	ALWAYS IN GROUP
Children who remained out of poverty before, during, and after the recession.	Children who were not living in poverty before the recession, but fell into poverty during the recession.	Children who were already living in poverty n and reamined there during the recession.

4 See for example “Poverty and Brain Development in Early Childhood,” *National Center for Children in Poverty*, Columbia University, 1999 and Rob Stein, “Research Links Poor Kids’ Stress, Brain Impairment,” *Washington Post*, April 6, 2009 and Greg Duncan, W. Wei-Jun, Jeanne Brooks-Gunn and Judith Smith, “How Much Does Childhood Poverty Affect the Life Chances of Children?” *American Sociological Review*, 1998, Vol. 63, 406-23. For a more complete review of the relevant literature on the adverse affects of childhood poverty, see the recently released brief, “Children in Poverty: Trends, Consequences, and Policy Options,” *Child Trends*, April 2009.

5 <http://psidonline.isr.umich.edu/Guide/Overview.html>

6 The recession of the early 1980’s was, technically, two different recessions. The first began in the first quarter of 1980 and ended in July of that year. The second started one year later, in July of 1981 and ended in November, 1982. For purposes of this analysis, we treat the entire period from 1980 to 1983 as a recession.

The people in each of the four cohorts (children aged 5-9 in 1972, children aged 10-14 in 1972, children aged 5-9 in 1979, children aged 10-14 in 1979) were further subdivided into three, mutually exclusive, categories relating to their experience with poverty throughout the recession. The first group consisted of those children who, in the pre-recession year, were not in poverty, and remained out of poverty for the duration of the recession. This group will be referred to as the “Never Fell” group, as in, “never fell into poverty.” Children who were already in poverty before the recession began and remained there during the recession were placed into the second group. This group will be referred to as the “Always In” group, as in “always in poverty.” Finally, the third group was made up of those children who, while not living in poverty before the recession, fell into poverty at some point during the recession. This group will be referred to as the “Fell” group.<sup>7</sup> This third group, those who fell into poverty during the recession, are the primary focus of the analysis. The other two groups are useful as reference points.

In order to determine the long term effects, if any, of recession-induced child poverty, we compared these categories to each other at several regular intervals after the close of their respective childhood recessions. For three of the four cohorts, we used three comparison points. For both 10-14 year old cohorts, we compared their statuses ten, fifteen, and twenty years after the recession. For the 1972 5-9 year old cohort, we compared their statuses fifteen, twenty, and twenty five years after that recession ended in 1975, and for the 1979 5-9 year old cohort we compared their statuses fifteen and twenty years after the close of that recession.<sup>8</sup> For example, a child who, at age ten, fell into poverty in 1975 would be in our 1972 5-9 year old cohort because she was only 7 years old in 1972, before the recession started. That means that we would examine her status at age 25 (1990), again at age 30 (1995) and once again at age 35 (2000).<sup>9</sup> This method allowed us to determine both whether children who experienced recession-induced poverty are substantially different in their adult lives from those who did not, as well as how persistent those differences might be over time. It also provided us with the advantage of lining up the cohorts such that all individuals are the same approximate age at each of the comparison points, regardless of cohort. Specifically, all individuals were between the ages of 23 and 27 at the first point of comparison, they were all between 28 and 32 at the second comparison, and they were all between 33 and 37 at the final point of comparison.

At each of the comparison points we used the PSID data to compare the people in the “Fell” group (those that experienced recession-induced childhood poverty) to those in the other two groups (people who avoided poverty entirely during the recession, and people who were in poverty from start to finish) along a range of variables including household income, personal labor income, poverty status, working status, educational attainment, and self-reported health status.

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7 These three groups, though mutually exclusive, are not mutually exhaustive. There is a fourth group, those children who started out in poverty in the year preceding the recession but had climbed out of poverty by the last year of the recession. For all four cohorts, the sample sizes for this fourth group were quite small, in some cases fewer than 20 un-weighted individual cases, which made drawing meaningful conclusions very difficult.

8 We omitted analysis of the third comparison year because twenty five years after 1983 is 2008, and the data is only available through 2005.

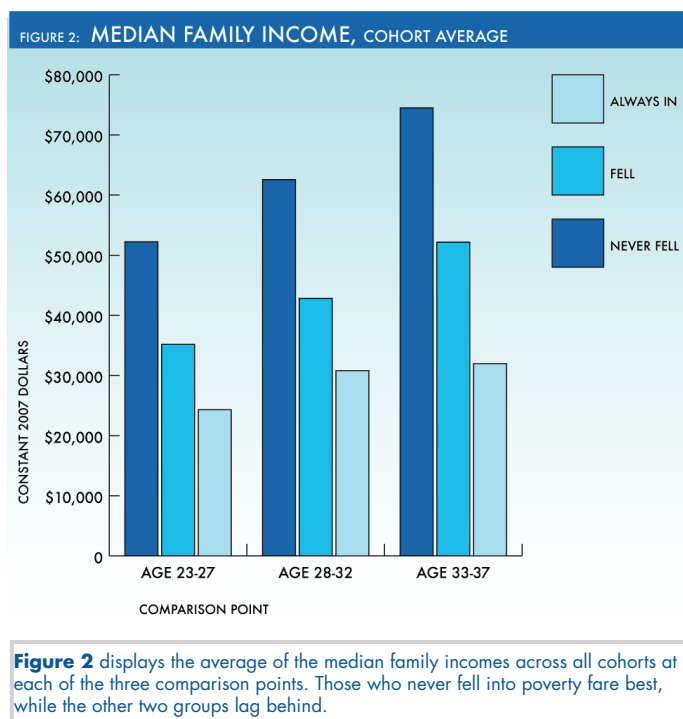
9 There are some exceptions to the ten, fifteen, twenty, twenty-five year structure necessitated by the availability of the data. For example, PSID did not collect data in 2002, but did in 2003. As a result, the analysis of the 1979 10-14 year old cohort includes data from twenty-one years after the close of their recession, instead of twenty years. For more about methodology, please see the Notes on Methodology.

## INCOME AND POVERTY

Children who fall into poverty during recessions have lower household incomes, lower personal labor earnings, and have a higher chance of living in poverty or near poverty during their adult years than do similar children who do not fall into poverty during a recession.

### MEDIAN FAMILY INCOME

“Family income” refers to the total amount of income flowing into the family unit in which a person currently resides, whether or not that person individually contributes to the total. In general, this is the best measure of overall income since many adults rely on the incomes of others, usually a spouse or domestic partner, to provide for living and other expenses. Household income, for example, is the metric used to calculate a family’s poverty status, rather than an individual’s income (though there are many cases in which an individual’s income is the same as the total household income). For our purposes, family income is also an important measure because, at age 23-27 especially, a significant number of people are not yet “financially independent,” and are still living in households where some other adult is the “head.” For these reasons, family income gives us a very good sense of overall financial status.<sup>10</sup>



As adults, the median family income of children who fall into poverty during a recession is approximately 30% lower than those who never fell into poverty. This finding is remarkably consistent across cohorts and across comparison points. For example, the median family income for the “Never Fell” group in Cohort II (10-14 year olds in 1972) at the first comparison point (in 1985, meaning these people were aged 23 to 28) was about \$53,500. Among the “Fell” group in the same cohort, the median family income was just over \$38,000, 29% lower than the “Never Fell” group. Similarly, the median family income of the “Fell” group in Cohort IV (10-14 year olds in 1979) at the third comparison point (in 2001, meaning these people were between 33 and 37 years old) was \$44,000, 31% lower than \$64,000, the median family income of the “Never Fell” group in the same cohort at the same point. The pattern is clear. Children who fall into poverty during a recession can expect to live their adult lives in households that earn about 30% less than their peers who managed to stay out of poverty during a childhood recession.

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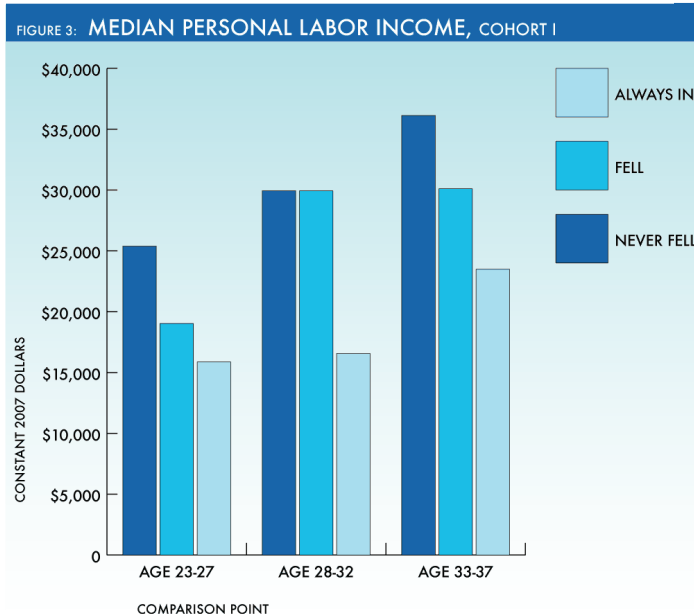
10 We use median family income as our metric instead of average family income because, in the case of income, which is rarely normally distributed, medians tend to be a better reflection of the “central tendency.” The median is the point at which half of families earn more and half earn less.

It should be noted, of course, that those who started out in poverty fare even worse than those who fell into poverty. While the median family income among “Fell” group is about 30% less than the “Never Fell” group, the “Always In” group suffers a median family income more than 50% below the “Never Fell” group.

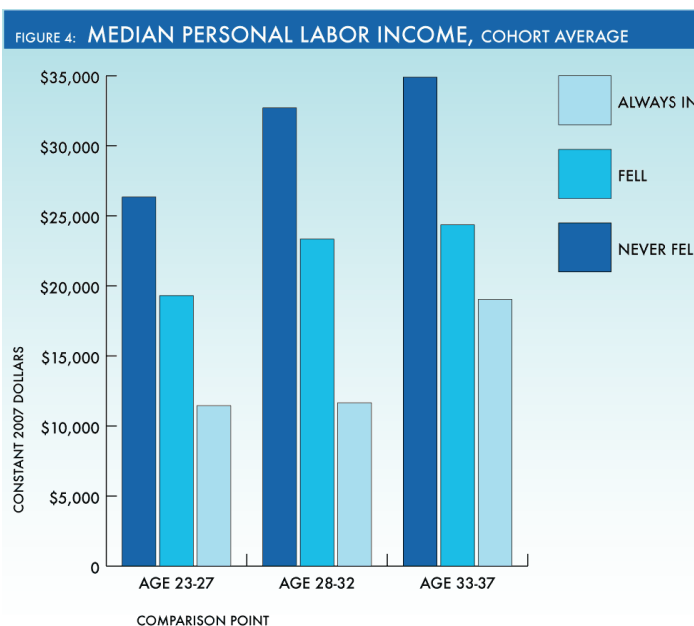
## MEDIAN PERSONAL LABOR INCOME

Unlike family income, which could be a sum of multiple streams of income, personal labor income (PLI) is specific to each individual.<sup>11</sup> Though family income is probably a better measure of a person’s overall financial situation, PLI gives us a sense of how each person is being compensated for their individual work.<sup>12</sup>

Though the pattern for personal labor income is far less consistent than for family income, the overall conclusion remains the same. People who fell into poverty during a childhood recession earn less in personal labor income than do those who did not, but they earn more than those who started out in poverty even before the recession began. As with family income, the “Fell” groups earned an average of about 30% less in personal labor income than the “Never Fell” groups. However, there was far more variation overall among the cohorts than was the case when looking at family income. For example, among one cohort the median personal labor income at one comparison point was actually the same for both the “Fell” group and the “Never Fell” group, while among another cohort, the difference between these two groups approached 50%. Nevertheless, among all eleven points of comparison (three cohorts with three comparison years, one cohort with two), six revealed differences of between 25% and 35%, two had larger differences, and another two had somewhat smaller differences. All together, the median personal labor income of the “Fell” group was lower than the “Never Fell” group at ten out of eleven comparison points. The median personal labor income



**Figure 3** displays the median personal labor income for Cohort I, those who were 5-9 years old in 1972. The surprising success of the “Fell” group at the second comparison point demonstrates that the patterns are not always consistent across



**Figure 4** displays the average of the median personal labors incomes across all cohorts at each of the three comparison points. By the third point, the “Fell” and “Always In” groups are far more similar to each other, than either is to the “Never Fell” group.

11 Personal labor income does not necessarily reflect all of the income that a person earns during the year. Rather it is the sum of a person’s wages, salaries, tips, bonuses, etc. It does not include income from interest-bearing accounts, dividends, or revenue from the sale of assets.

12 As with family income, we focus here on the median as the best representation of the central tendency of the income distribution.



of the “Fell” group was higher than the “Always In” group at eight out of eleven comparison points.<sup>13</sup>

Though the long term ripples from recession-induced child poverty are not uniform when considering personal labor earnings, with some cohorts doing dramatically better than others, the overall effect is clear. As with family income, it appears that falling into poverty during a childhood recession will drag down one’s personal labor income for decades, with persistent childhood poverty being even more damaging to future personal earnings.

## POVERTY

Given what we now know regarding the long term affects of recession-induced child poverty on income, both family and personal, it should be no surprise that children who fall into poverty during an economic downturn are far more likely to remain in or near poverty as adults than are children who avoid poverty in spite of a recession. Specifically, a child pushed into poverty during a recession is three times more likely to remain in poverty later in adult life than a similar child who stays out of poverty.

At ten out of eleven comparison points, the poverty rate among the “Fell” group was higher than that among the “Never Fell” group.<sup>14</sup> Those who stayed out of poverty during their childhood recession had an adult poverty rate that ranged from a low of 3.3% (28-32 year olds in 2002) to a high of 7.4% (23-27 year olds in 1990). The average among all cohorts of “Never Fell” group was just over 5%. The poverty rate among “Fells” ranged from a low of 7.6% (33-38 year olds in 2000) to a high of over 25% (23-27 year olds in 1985). The average poverty rate of all the “Fell” groups was 16.5%. In other words, while only about one in twenty “Never Fells” find themselves in poverty as adults, about one in six “Fells” do.

To put these numbers in perspective, it is worth noting that the overall poverty rate among non-elderly adults during these decades ranged from just below 10% to just a shade above 12%.<sup>15</sup> Therefore, people who avoided poverty during a childhood recession were about half as likely to be living below the poverty line during adulthood compared to the general population, while those who suffered recession-induced poverty as children

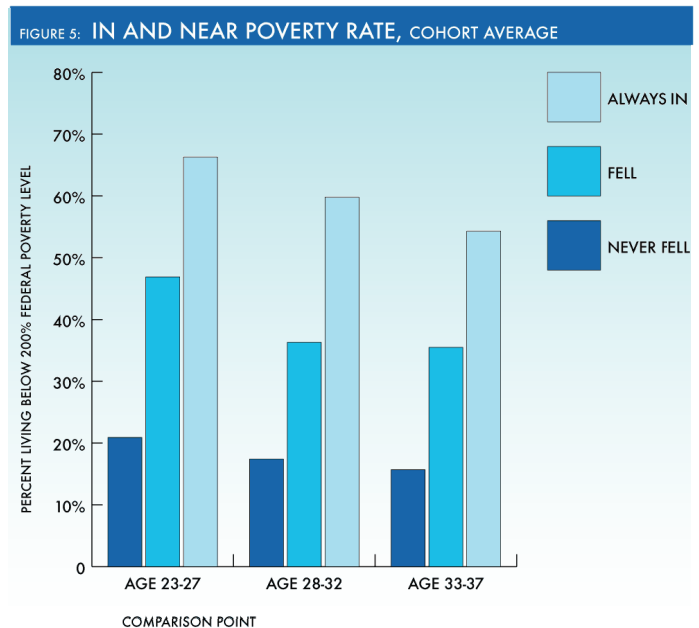


Figure 5 displays the average of the percentage of individuals living below 200% of the federal poverty line across all cohorts at each of the three comparison points. These results reinforce existing research regarding the persistence of prolonged childhood poverty.

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13 There were three comparison points at which the difference between the median personal labor income of the two groups was not statistically significant, though in all three cases the sample median was higher for the “Fell” group than for the “Always In” group.

14 At the third comparison point, the year 2000, for the 5-9 year old cohort from the 1970’s recession, the difference between the poverty rate for “Fells” and “Never Fells” was not statistically significant. The “Fell” group at this comparison point has one of the smallest sample sizes used in analysis (70 individuals).

15 US Census Bureau, <http://www.census.gov/hhes/www/poverty/histpov/perindex.html>

were about a third more likely to be living below the poverty line compared to the general population.

Across cohorts and comparison points, the “Fell” group also suffered much higher rates of “near poverty,” with close to 40% living below 200% of poverty. Meanwhile, among the “Never Fell” group, the rate was less than half as high, with only 18% living at or below 200% of the federal poverty line (FPL). Indeed, at all eleven comparison points, the percentage of people living below 200% FPL was higher among those who had experienced recession-induced childhood poverty than among those who stayed out of a childhood recession.

As with the other income metrics, the pattern for the “Always In” group is predictable. Those who were already in poverty when a childhood recession began have even higher rates of adulthood poverty than either of the other two groups. In general, approximately 30% of children in the “Always In” group were still in poverty as adults. Though this percentage varied somewhat from cohort to cohort and comparison point to comparison point, it was higher than the poverty rate among the “Never Fell” group in all eleven comparisons. Indeed, taking all the cohorts and comparisons together, the poverty rate for the “Always In” group was six times as high as the “Never Fell” group. This finding is entirely consistent with extensive previous research on the long-term persistence of prolonged childhood poverty.<sup>16</sup>

The comparison between the “Always In” group and the “Fell” group is somewhat more complicated. Though the “Always In” poverty rate was consistently higher than the “Fell” poverty rate, the differences were not always statistically significant.<sup>17</sup> In general, however, the adult poverty rate among children who began a recession already in poverty was about twice that of those who fell into poverty during a childhood recession.

These results seem to merely underscore that which is already well known: a child who experiences many years of poverty has a far higher chance of living in poverty as an adult than a child who experiences only intermittent poverty. However, it is striking to note how different a child who experiences recession-induced poverty is from his peer who, like him, began the recession above the poverty line, but unlike him, managed to stay out of poverty throughout the recession. Whether it is family income, personal labor earnings, or general

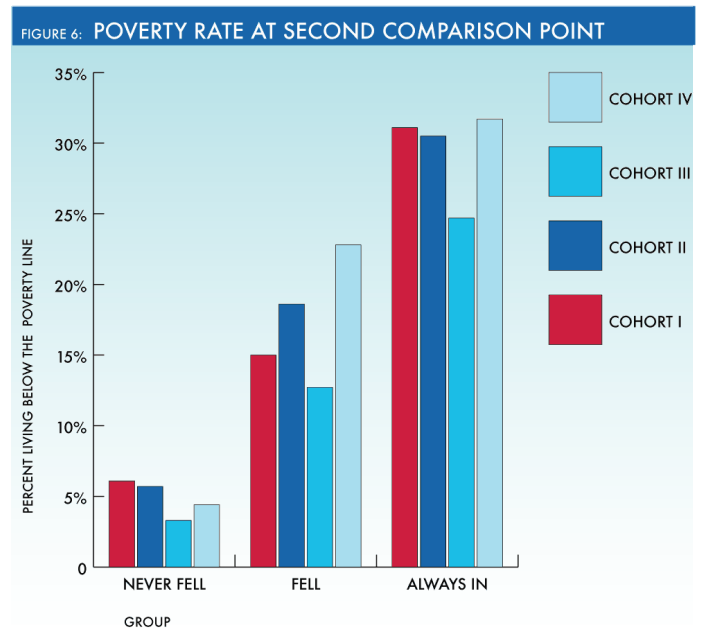


Figure 6 displays the percentage of individuals living in poverty for each of the four cohorts at the second comparison point. Though there are some variations, the general differences between the three groups are remarkably consistent, regardless of cohort.

16 See for example, Mary E. Corcoran and Ajay Chaudry, “The Dynamics of Childhood Poverty,” *The Future of Children*, 7(2), 1997.

17 Six of the eleven comparisons yielded statistically significant differences. Of the other five, one of the comparisons yielded a p-value of .0503, a tiny sliver above the threshold that is generally considered statistically significant. It is the somewhat small sample sizes of the “Always In” and “Fell” groups that make it more difficult to conclude with 95% certainty that real differences exist. However, pooled samples of all cohorts at each comparison point allow for larger sample sizes and do yield consistent significant differences.



poverty rate, children who are forced into poverty during a recession are distinctly worse off than those who stay out of poverty despite the downturn.

## EDUCATION AND WORK STATUS

Children who fell into poverty during a recession have lower overall levels of educational attainment as adults and are less likely to be actively employed at any given time during adulthood than their peers who stayed out of poverty during the recession. One the whole, they do fare better than similar children who began in poverty even before the recession started, though these two groups have very similar rates of post-secondary educational attainment.

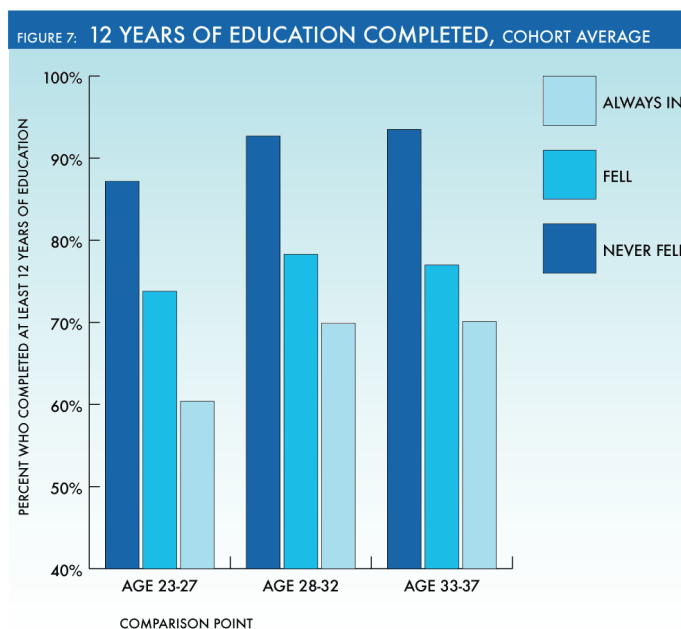
### EDUCATIONAL ATTAINMENT

The Panel Study of Income Dynamics collects data on years of education completed. In order to evaluate whether children who experience recession-induced poverty suffer from lower levels of educational attainment later on, at each comparison point we found the percentage among each group that had completed a certain number of years of schooling.

Given compulsory education laws in the United States, it is not surprising that all three groups have essentially the same percentage of people completing their early years of education. It is not until the twelfth year benchmark (which is roughly equivalent to graduating high school) that significant differences begin to appear.

At the first comparison point, about 87% of those who remained out of poverty during their childhood recession had completed high school. This rate rises to around 93% five years later, and remains essentially flat five years after that. Comparatively, among those who had fallen into poverty during their childhood recession, only 74% had graduated high school at the first comparison point. That rate rises to 78% five years later, and similar to the pattern among the “Never Fell” group, remains flat five years after that. At every comparison point, in every cohort, the percentage of people having completed twelve years of education was higher among the “Never Fell” group than it was among the “Fell” group.

The differences are even more stark when it comes to higher education. At the first comparison point, about one quarter of those in the “Never Fell” group had completed sixteen years of education (equivalent to earning



**Figure 7** displays the average of the percentage of individuals who completed twelve years of education across all cohorts at each of the three comparison points. As time goes on, the “Fell” and “Always In” groups share much more in common than they do with the “Never Fell” group.

a bachelor's degree). At the same point, among the "Fell" group, less than one in ten had done the same. Five years later, the gap remained wide. One third of the "Never Fell" group had finished sixteen years of schooling, while only about 13% of the "Fell" group had done so. As with the high school graduation rate, there is little difference between the second and third comparison points.<sup>18</sup>

The disparity between the "Fell" group and the "Never Fell" group is quite clear. Those who did not fall into poverty during a childhood recession are more likely to graduate both high school and college than are those who do fall into poverty during a childhood recession. However, the differences between the "Fell" group and the "Always In" group, are less clear. In general, the two groups are much more similar to each other than either is to the "Never Fell" group. Considering high school graduation, for example, the "Fell" group has higher rates at the first comparison point, but that gap closes considerably by the third comparison point, at which point only one of the three cohorts displayed a significant difference.

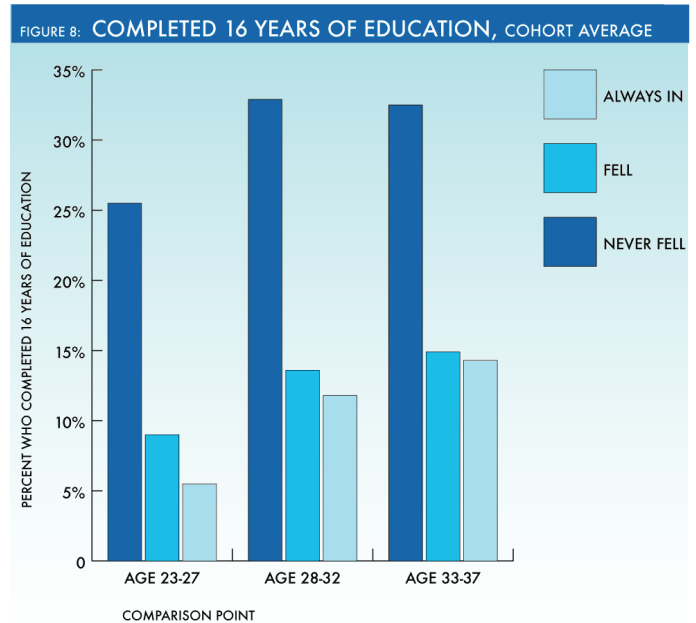


Figure 8 displays the average of the percentage of individuals who completed sixteen years of education across all cohorts at each of the three comparison points. Those in the "Never Fell" group are more than twice as likely to have finished sixteen years of schooling than those in the other groups.

The differences between the two groups are even less clear when looking at sixteen years of completed education. At the first comparison point, both the "Fell" group and the "Always In" group have very low percentages of people who had completed sixteen years of education, and only two of the four cohorts contain significant differences between the two groups. At the next comparison point, only one cohort has a significant difference (and it is in the opposite direction that one would have guessed – the "Always Ins" had the higher rate), and at the final comparison point, while there are two cohorts out of three with significant differences, those differences are in opposite directions.<sup>19</sup> In other words, the data suggests that while both the "Fell Group" and the "Always In" group attain lower levels of education than the "Never Fell" group, the two groups do not differ from each other in consistent ways. Unlike income and poverty, it appears as if, when it comes to education, recession-induced child poverty and persistent child-poverty are nearly the same.

## WORK STATUS

In general, a larger proportion of those who never fell into poverty during a childhood recession report that they are "currently employed," than do either those who did fall into poverty or those who were already in

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<sup>18</sup> This is not surprising given that, by the third comparison point, the people in the samples would be between 33 and 38 years old. Most people have completed their formal education by that point.

<sup>19</sup> In the 1970's recession 10-14 year old cohort the "Always In" group consistently had a higher percentage of people having completed sixteen years of education. This was the case across all three comparison points, at two of which the differences were statistically significant. It is not clear if this outcome was the result of a quirk in the data or rather something specific to this group of people.

FIGURE 9: CURRENTLY WORKING, COHORT AVERAGE

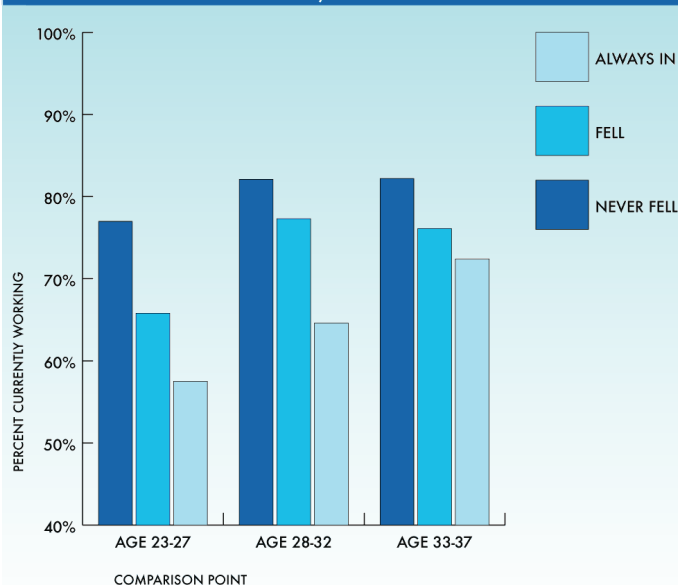


Figure 9 displays the average of the percentage of individuals who report being currently employed across all cohorts at each of the three comparison points. The overall pattern is consistent, but hides important variation between cohorts.

FIGURE 10: CURRENTLY WORKING, SECOND COMPARISON POINT

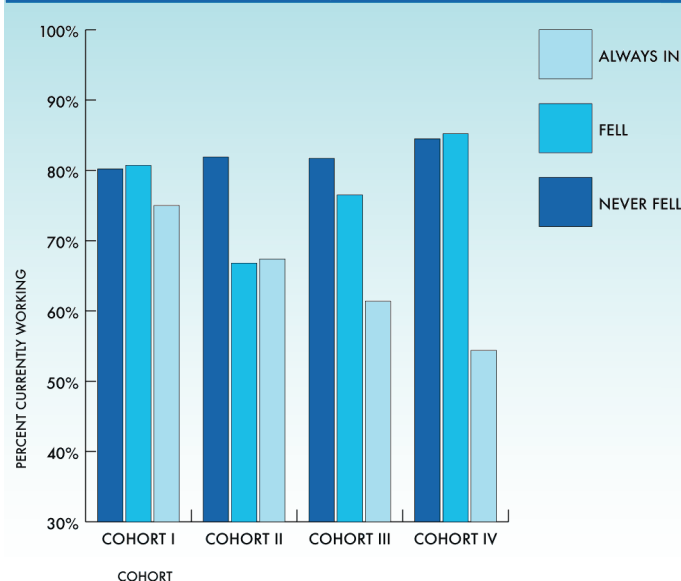


Figure 10 displays the percentage of individuals who report being currently employed at the second comparison point. This figure demonstrates that the overall cohort average masks the fact that, on this measure, there are wide differences between cohorts, making it difficult to draw firm conclusions.

poverty. Across all comparison points and cohorts, approximately 80% of the “Never Fells” reported that they were working at the time of data collection.<sup>20</sup> The comparable percentage among the “Fell” group was 73%, and among the “Always Ins,” 64% said they were currently employed. In this case, however, aggregating across cohorts and comparison points hides important variation. First, there is a general pattern, among all three groups in all four cohorts, for the percentage of those who say they are currently working to rise from the first comparison point to the second. For example, though the overall average percentage of “Fells” reporting current work status as employed was 73%, at the first comparison point, the average percentage among the four cohorts of “Fells” was only 66%.

Second, it is not the case that at every comparison point there was a significantly higher percentage of people saying that they were working among the “Never Fell” group than among the other two groups. Among the “Never Fells,” this percentage was significantly higher than that among the “Always In” group at nine of the eleven comparison points, and significantly higher than the “Fell” group’s percentage at only five of the eleven points. There were even fewer points at which the differences between the “Fell” and the “Always In” groups were significant. As a result, it is much more difficult to draw clear conclusions about the effects of recession-induced childhood poverty. It does appear, when the data is aggregated, that those who escape poverty during a recession are more likely to be employed at a given point during adulthood than are children who fall into a childhood recession, but this general outcome was not uniform across cohorts or comparison points.

20 The other 20% were a mix of those who reported being unemployed, laid off, disabled, “homemakers,” or who gave no answer.

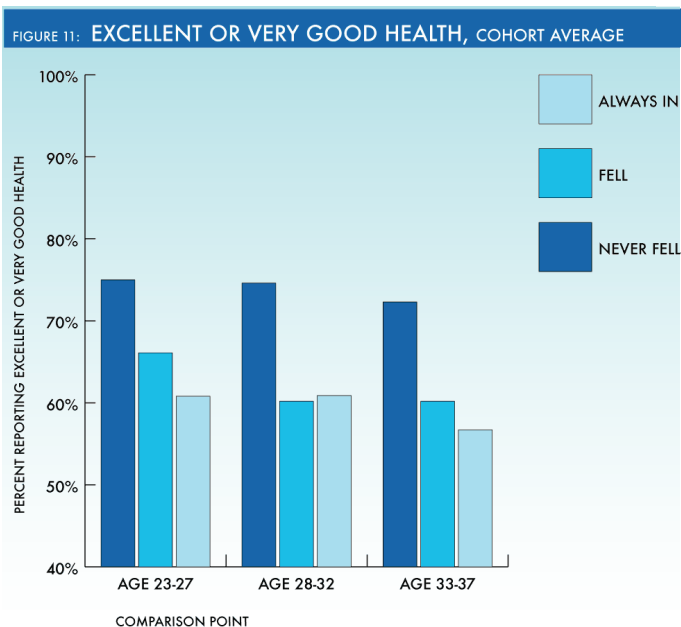
## HEALTH

In addition to income, education, and work status, the PSID asks each person in their sample about their health. They are asked choose one of five options that best describes their current health status: excellent, very good, good, fair, or poor. Those who fell into poverty during a recession in their childhood were much less likely to report themselves to be in excellent or very good health than those who did not fall into poverty during that childhood recession. Furthermore, there is very little difference in terms of overall reported health status between those who fell into poverty during a childhood recession and those were already in poverty when that recession began.

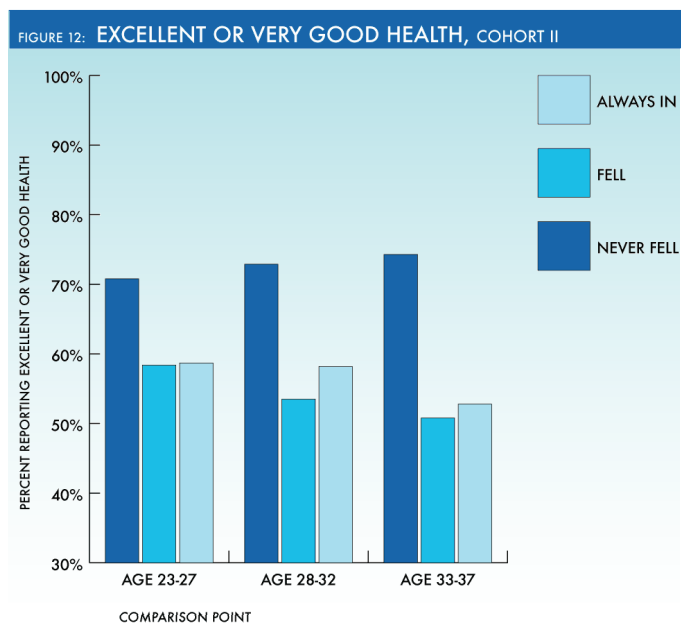
Across comparison points and cohorts, the percentage of “Never Fells” who report being in excellent or very good health was about 74%. This is a relatively consistent finding, ranging from just under 70% at the third comparison point among Cohort IV, to just over 77% at the first comparison point among Cohort I. Similarly, the percentage of those in excellent or very good health in the “Always In” group remained fairly constant across cohorts and comparison points. For three of the four cohorts, that percentage never rose above 63% and never dropped below 53%.<sup>21</sup>

There was more variation between the cohorts and comparison points for those who experienced recession-induced childhood poverty. The average percentage of “Fells” who report excellent or very good health at all comparison points was about 62%, but the range was much wider, with the lowest being 53.5% (in Cohort II at the second comparison point) and the highest reaching just under 71% (in Cohort I at the third comparison point).

Even with this rather wide range, there were six individual comparison points at which the percentage of “Never Ins” reporting excellent or very good health significantly exceeded that of the “Fell” group.



**Figure 11** displays the average of the percentage of individuals who report being in excellent or very good health across all cohorts at each of the three comparison points. The “Never Fell” group fares markedly better than either of the other two groups.



**Figure 12** displays the percentage of individuals who report being in excellent or very good health among Cohort II at each of the three comparison points. There was no statistically significant difference between the “Fell” group and the “Always In” group at any of the comparisons.

<sup>21</sup> Cohort III was the outlier in this case. At the first comparison point, 71.3% of “Always Ins” reported being in excellent or very good health, and 67.3% reported the same at the second comparison point. These percentages were still lower than those from the “Never Fell” group, though not significantly so.

More striking, however, than the mere fact that those who experienced recession-induced childhood poverty report worse overall health than do those who stayed out of poverty is the very similar health statuses between those who fell into poverty and those who were already there. As mentioned before, we know that persistent childhood poverty has measurable long-term affects, even compared to children who experience “only” intermittent poverty. It is surprising then that, at least in the case of health status, those who were already in poverty when a recession struck and those who were not in poverty but fell during the recession seem so similar. This similarity is most obvious in Cohort II, where the difference in percentage reporting excellent or very good health between the two groups, in all three comparisons, is not more than a few percentage points. Even in the other cohorts, these two groups are closer to one another than either of them are to the group who did not experience poverty at all during a childhood recession.<sup>22</sup>

## CONCLUSION

A wide and deep body of research has clearly proven the long-term negative ramifications of growing up in persistent poverty. With so many children poised to fall into poverty during this current economic recession, the question is to what degree will recession-induced childhood poverty have the same or similar effects. Based on a detailed analysis of nationally representative samples of children who grew up during two post-war American recessions, we can conclude that children who fall into poverty during a recession will fare far worse along a range of variables than will their peers who did not fall into poverty. They will live in households with lower incomes, they will earn less themselves, and they have a greater chance at living in or near poverty as adults. They will achieve lower levels of education, and they will be less likely to be gainfully employed. Children who experience recession-induced poverty will even have poorer health than their peers who stayed out of poverty during the childhood recession.

Across most of these measures, children who fall into poverty during a recession will do better than children who were in already poverty when the recession began and stayed there throughout. These children, those who started out and stayed in poverty, are the ones who will bear the full brunt of persistent childhood poverty, and the outcomes for these children are usually, though not always, distinguishably worse than those who “only” fell into poverty during a recession. Nevertheless, the fact that persistent childhood poverty is even worse than recession-induced poverty should not distract from the key finding that recession-induced childhood poverty will have serious, measurable, long-term negative effects. Indeed, it must be remembered that children who experience recession-induced poverty start out, by definition, above the poverty line before the recession began. Therefore, the best comparison group is not persistently poor children, but rather those who, like them, began and remained out of poverty throughout the recession. Compared to this group, the consequences of recession-induced poverty are stark.

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22 In addition to analyzing the percentage of people reporting excellent or very good health, we also converted the health status variable into an average. By assigning 5 points to those who reported excellent health, 4 points to those who said their health was very good, and so on, we found an overall average health score for each group at each comparison point. If, for example, everyone reported being in excellent health, the average health score would be 5. Across comparison points and cohorts, the health score for the “Never Fell” group was 4.0, the score for the “Fell” group was 3.74, and for the “Always In” group the score was 3.68. This reinforces the conclusion discussed above, that, in terms of health status, children who experience recession-induced poverty will be much more like children who were already in poverty then they will be like those who remained out of poverty.

## NOTES ON METHODOLOGY

### WEIGHTS

Using the Panel Study on Income Dynamics, we gathered data on four cohorts of individuals: those who were between the ages of five and nine years old in 1970, those who were between the ages of ten and fourteen years old in 1970, those who were between the ages of five and nine years old in 1979 and those who were between the ages of ten and fourteen years old in 1979. The PSID is a nationally representative sample, which allows us to extrapolate the results from these samples to the larger American population that matches these groups. In order to make the sample representative, each individual is given a weight in each year. For this analysis, we used the weight in the first year of data (either the 1970 weight or the 1979 weight). This is because we were interested in what happens to these children as they progress from “year one.” If we were interested in where adults “came from,” we would instead use weights from the later years.

### SIGNIFICANCE TESTING

Because all the data on which this report is based comes from samples, it was necessary to conduct tests for statistical significance in order to make claims about differences between groups. All of the claims about such differences contained in this report are statistically significant to the  $p < .05$  level, unless otherwise stated. To determine p values for percentages and averages, basic two-sample Z tests were conducted. To determine p values for the differences between medians, the Mann-Whitney U statistic was calculated.

### VARIATIONS IN THE COMPARISON YEARS

In general, the comparison points take place ten, fifteen, twenty and twenty-five years after the end of the recession. However, because of limitations on the availability of data, some of the later points vary by one year. For example, no data was collected in 1998. Because income data in the PSID is one year behind (i.e. income data collected in 1985 refers to income earned in 1984), we have no data on income for 1997, which was fifteen years after the end of the recession of the early 1980's. As a result, that comparison point was moved to 1996, fourteen years after the end of the recession. Similarly, data was collected in 2003 but not 2002. Therefore, we have income data from the correct comparison year, but we lack the data on the other characteristics from that year. Therefore, health, education, and work status variables come from twenty-one years after the end of the recession, rather than twenty years after the end of the recession.

As mentioned above, income data collected in one year refers to income earned in the previous year. However, data collected on most other characteristics refer to the year of data collection. Therefore, in order to calculate each individual's poverty status, we matched family income from one year with family size from the previous year.<sup>23</sup> The only exception to this was in 2002 (twenty years after the close of the 1980's recession). Though data was collected in 2003, giving us income data for the previous year, no data was collected in 2002. As a result, we used 2003 family size and 2002 income to calculate 2002 poverty status.

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23 The poverty line in any given year is based on the size of the household.



## ABOUT FIRST FOCUS

First Focus is a bipartisan advocacy organization that is committed to making children and families a priority in federal policy and budget decisions. Children's health, education, family economics, child welfare, and child safety are among the core issue areas around which First Focus is working to promote bipartisan policy solutions.

While not the only organization working to improve public policies that impact kids, First Focus approaches advocacy in a unique way, bridging the partisan divide to make children a primary focus in federal policymaking. First Focus engages a new generation of academic experts to examine issues affecting children from multiple points of view in an effort to create innovative policy proposals. First Focus convenes cross-sector leaders in key states to influence federal policy and budget debates, and to advocate for federal policies that will ensure a brighter future for the next generation of America's leaders.

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